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WORLD COTTON PROSPECTS

Summary

During the first 2 months of this season, total exports of American cotton were the largest for any like period in the history of domestic exports and consumption by domestic mills was almost at record levels. Exports and consumption combined resulted in a larger disappearance from the United States than for any like period in history. In September, however, domestic consumption declined 15 percent from the August levels and was 28 percent less than the peak consumption of June, but was still higher than during either of the three previous Septembers. The heavy exports so far this season are accounted for by the record exports to Japan. The fact that Japanese cotton interests have agreed not to buy Indian cotton as a protest against the 75 percent tariff on non-British goods which went into effect in June no doubt largely explains the heavy exports to Japan. Despite the high tariff in India, one of Japan's principal foreign markets for piece goods, cotton yarn production in Japan reached a new high level during September. Apparently Japan's efforts to increase her foreign markets for piece goods has met with some success for her exports of cotton cloth in August increased 16 percent over the previous month and were the largest since May 1933.

Mill activity in Great Britain so far this season has been considerably higher than a year earlier, although exports of cotton goods to foreign countries have been less. However, in September piece goods increased to the highest levels for several months, possibly reflecting an increased demand from India growing out of the reduced imports of Japanese goods. On the Continent mill activity as a whole is being maintained at levels considerably

above a year ago. In China mill activity has been increased during the past month, but is still considerably below the levels existing throughout 1932-33.

The present indications are that, due to increased foreign production and a larger carry-over of foreign cotton, the world supply of all cotton in 1933-34 will be somewhat larger than in either of the two previous seasons despite the reduction of about 1,500,000 bales in the supply of American cotton. Most of the increase in foreign countries this year represents a return to more normal production after 1 or 2 years of rather short crops. Egypt, with an expected increase of about 63 percent, will still have a crop less than in 1929-30 or 1930-31. In India the cotton trade is expecting an increase of about 14 percent, but this would still give a crop less than in 1930-31. The Brazilian crop of 1932-33 was the smallest for 14 years so that the large increase expected this year will still give a crop only about average. The same may be said in regard to the crop in Mexico.

Prices

The many uncertain factors in the general economic situation no doubt explains why cotton prices have fluctuated so much during recent weeks. During the latter part of October the fluctuation in the value of the dollar has been an important factor in the price changes. The lowest daily average in the ten markets during September was 8.34 cents, which was recorded on the 9th, but by September 19 the price in these markets averaged 10.00 cents, an advance in 10 days of 1-2/3 cents per pound. Two days later, however, prices were 3/4 cents lower, but recovered to 9-3/4 cents by September 23. From October 1 to October 26 prices in the ten markets fluctuated between 8-1/2 and 9-1/2 cents. The price of 9.38 cents on October 26 compared with an average during September of 9.19 cents, and an average in October last year of 6.37 cents. In August and September the average United States farm price of cotton of 8.8 cents per pound, which was based on prices being paid to farmers around the middle of the month, were about the same as the average prices existing in the ten markets. Around the middle of October prices in the ten markets averaged about 9 cents.

Cotton prices in the ten markets which averaged 8.88 cents per pound in currency for the week ended October 21 were equivalent to 6.24 cents in terms of gold due to the depreciation in the value of the dollar. During the third week of October 1932 domestic prices averaged 6.15 cents per pound.

At Liverpool, prices of American cotton relative to Indian have not changed materially in recent weeks. During the first 3 weeks of October the price of Indian Brocch, Oomra, and Sinde averaged 78.7 percent of the price of American middling and low middling the same percentage as in September and compares with 88.3 percent in October, 1932, and 79.8 percent during the 10 years, 1922-23 to 1931-32.

Stocks and Movement

Exports of American

During September exports of American cotton amounted to 869,000 running bales which was 18 percent larger than in September, 1932 and 56 percent larger than in 1931. For the 2 months ended September 30 total exports from the United States amounted to 1,400,000 bales which was 214,000 bales or 18 percent larger than in the corresponding period of last season, and was the largest for the corresponding period in the history of our export trade. Japan, the United Kingdom, and Italy were the only major consuming countries taking larger amounts of American cotton during the first 2 months this season than during the like period last season. Exports to Japan, however, were much larger than during any like period in the past and were more than twice as large as in August and September, 1932. There seems little doubt but that the agreement among the Japanese spinners not to buy Indian cotton is an important factor in the large exports from the United States to Japan, for as is stated below exports from India to Japan during the first part of this season have been very small. Exports to Great Britain during August and September this year were 60 percent above the like period last season. Italy took 126,000 bales of American cotton in August and September this year compared with 111,000 bales in the first 2 months of 1932-33.

Exports of Indian and Egyptian

Total exports of Indian cotton from August 1 to October 12 amounted to 253,000 running bales of approximately 400 pounds which was only slightly above the 249,000 bales exported in the like period of 1932-33 and 37 percent less than in the first 10 weeks of 1931-32. Exports to Japan and China combined amounted to only 44,000 bales from August 1 to October 12 this season, whereas in the like period last season these two countries took 125,000 bales and in 1931-32, 272,000 bales, according to data from the Commercial and Financial Chronicle. The Chronicle does not show exports to these two countries separately, but official Indian foreign trade statistics for last season shows that exports to China during the first 3 months of the season amounted to only about 4,000 bales. With the larger supply of Chinese cotton in China and the lower level of mill activity there, it is probably safe to say that practically all of the cotton exported from India to Japan and China combined during the past two seasons has been exported to Japan. The decline this season, therefore, represents a drop in exports to Japan, due apparently to the Japanese boycott of Indian cotton due to the increase in the Indian tariff on non-British goods which went into effect last June. So far the Japanese spinners are apparently carrying out their agreement not to buy Indian cotton. In early October a radiogram from Agricultural Commissioner Dawson at Shanghai, China, transmitting a report from Vice Consul McConaughy at Kobe, stated that the Japanese were looking for new sources of raw cotton

due in part at least to the belief that both the tariff and the boycott would be continued.

Exports of Egyptian cotton from August 1 to October 11 were 10 percent larger than in the like period of 1932-33, but 17 percent smaller than in the first part of 1931-32, according to data from the Chronicle. Up to October 11 exports this season amounted to 123,000 running bales of approximately 750 pounds compared with 112,000 bales and 148,000 bales during the like periods of last season and the season before. Shipments to Great Britain were considerably larger than in the early part of 1932-33 and about the same as in the corresponding period of 1931-32. The Continent and India took smaller quantities of Egyptian cotton during the first part of this season than in either of the two previous seasons while the United States took larger amounts than in 1932-33 or 1931-32.

Textile Situation

United States

During September cotton mill consumption in the United States amounted to 499,000 running bales which was about 90,000 bales or 15 percent less than in August, and 28 percent below the peak reached in June, but was the largest for the month of September since 1929. For the first 2 months of the season total consumption amounted to 1,088,000 bales, which was an increase of 191,000 bales or 21 percent over that of August to September last year, 22 percent over the first 2 months of 1931-32, and was the largest for the like period since 1929-30.

The indications are that sales of cotton goods by domestic mills probably equaled or exceeded production during the month of September. During the first 3 weeks of October, however, sales by domestic mills probably averaged somewhat below their output. Apparently retail sales of cotton goods in recent months have been running considerably above a year earlier.

Great Britain

During September exports of cotton piece goods from Great Britain totaled 163,000,000 square yards which represented an increase of 9 percent over exports during August, and were the highest since May. Despite the recent increase exports in September were still 14,000,000 square yards or 8 percent below September, 1932, but considerably larger than in September 1931 and 1930. During August and September exports of cloth from England totaled 312,000,000 square yards as against 358,000,000 in the corresponding period last season, 272,000,000 square yards in 1931-32, and 310,700,000 in 1930-31. It is possible that the increase in the September exports reflected a better demand from India growing out of the increased Indian tariff on non-British goods.

In recent weeks British cotton mills have been operating at something like 75 percent of normal, according to trade estimates, compared with around 50 percent a year earlier. During the first weeks of this season total forwarding of cotton to British mills amounted to 450,000 bales compared with 355,000 bales during the like period of 1932-33.

The Outlook for the Continental Cotton Industry in 1933-34 1/

The steady decline in continental mill consumption of raw cotton since the record season of 1927-28 has finally come to an end in 1932-33, when consumption rose 7-10 2/ percent above the figures for the previous season. Present prospects are that this increased level of raw cotton mill consumption will be maintained during the current season 1933-34, with possibly even some further increase in the second half of the calendar year 1934.

These expectations, however, depend upon realization of further improvement in economic conditions in the world at large which will reinforce European wholesale demand for cotton manufactures, and hence raw cotton, by enlarged consumer buying which, so far in 1933, has lagged seriously behind manufacturing operations in some sections of the Continent, notably Germany, with resultant increases in stocks of cotton goods. This increase is not alarming, because stocks of finished and semi-manufactured cotton goods in western and southern Europe have remained moderate, and the Continent taken as a whole is probably not overstocked. Nevertheless, it is clear that a fair share of the 1932-33 takings of raw cotton by the Continent, and especially in the first half of 1933, did not represent covering of current needs of the ultimate consumer, but manufacture for stock. Some danger of a set-back or a slackening in cotton mill activity, therefore, doubtless exists in places, and seems likely to become actuality if further improvement in the general business situation is not realized.

It is also important to remember that European consumer purchasing power is now so much reduced that a significant increase in cotton and cotton goods prices would probably be reflected in noticeably smaller purchases in volume of goods unless paralleled by a corresponding recovery in employment and wages.

Net imports of raw cotton by the Continent in 1932-33 (on the basis of data from the International Institute of Agriculture) amounted to some 850,000 bales of approximately 478 pounds (or roughly 15 percent) above 1931-32. On the other hand, port stocks and mill stocks of raw cotton increased from August 1, 1932, to August 1, 1933, by about 400,000 bales, 3/ leaving an apparent increase of about 450,000 bales in continental mill consumption of raw cotton during 1932-33 as compared with 1931-32. 4/

1/ Based largely upon a report from Agricultural Attache L. V. Steere at Berlin, dated October 3, 1933.

2/ Seven percent basis Manchester figures, 10 basis Berlin calculations.

3/

	August 1, 1932	August 1, 1933
	Bales of 478 lbs. net	Bales of 478 lbs. net
Port stocks	646,000	897,000
Mill stocks	982,000	1,126,000
Total	1,628,000	2,023,000

4/ The International Federation of Master Cotton Spinners Manufacturers Association, Manchester, shows an increase of only 338,000 bales. Port stocks include quantities stored in the free ports outside of customs' boundaries but how much, is unknown. However, in a season of strongly rising total stocks, free port stocks will at least not decline; if they remained the same, the consumption figures will not be affected, if they rose, the difference as against the Manchester figures would be even more pronounced than here indicated.

Of this increase of 450,000 bales, as will be explained later, 180,000 bales came to Germany alone, where no equivalent increase in retail sales of cotton manufactures has taken place, and where it therefore appears that most of the 180,000 bales went into trade stocks in the form of cotton goods. Roughly 110,000 out of the total increase of 450,000 bales went to France, where no significant increase in goods stocks seems to have taken place, judging from trade reports and the figures on yarn and cloth mill stocks. Roughly 80,000 bales of the total increase went to Italy where no great increase in goods stocks is thought to have taken place. However, assuming increases in goods stocks in France and Italy equivalent to 20,000 bales of raw cotton, and such increases in the remaining countries of continental Europe at 50,000 bales, the following picture is obtained:

Cotton stocks increases from August 1, 1932 to August 1, 1933

	Bales of approximately 478 pounds
Port and mill stocks of raw cotton:	400,000
Stocks of cotton goods (raw equivalent):	
Germany	180,000
France and Italy	20,000
Other Continent	50,000
Increase total Continent	650,000

These increases, which amount in the case of raw cotton to roughly 8 percent of the total yearly mill consumption, and in the case of cotton manufactures to perhaps 6 percent of the total yearly output, is probably not serious if cotton prices and general business conditions develop in the favorable manner described above. However, it constitutes an obstacle to further expansion of wholesale demand beyond current levels of final consumers, and as the latter is still lower than mill consumption of raw cotton in the past 9 months, a certain downward adjustment of raw mill consumption is not altogether improbable.

As already indicated, the apparent increase in continental mill consumption of raw cotton of 450,000 bales in 1932-33 over 1931-32 is not fully confirmed in the figures of the Manchester Federation of Cotton Spinners' and Manufactures' Associations, given in table 2 on page 8 (converted into approximately 478 pound bales). The Association's figures rose from 4,726,000 to 5,064,000 bales, or 338,000 bales. Analysis of these data seems to point to possible understatement in the 1932-33 figure for Germany which was reported at 1,217,000 bales. Judging from mill activity (yarn production) data published by the German Institute for Economic Research, the 1932-33 mill consumption of raw cotton by German mills must have been as high as 1,440,000 bales. Allowing for an upward bias in this figure and checking it against available import statistics and changes in German cotton stocks data 1/, there appears

1/

	August 1, 1932	August 1, 1933
Bremen port stocks, bales	314,000	506,000
German mill stocks, bales	194,000	279,000
Total, bales	508,000	785,000

Total net imports of raw cotton August 1, 1932 to July 30, 1933 were 1,587,000 bales. Deducting from this figure the increase in stocks of 277,000 bales gives a mill consumption of 1,310,000 bales, not counting the small amount of raw cotton used for other than spinning purposes.

to be ground for assuming that the actual mill consumption of raw cotton in Germany during 1932-33 was about 1,310,000 bales of 478 pounds net, or roughly 100,000 bales more than indicated by the Manchester Federation. This revision would bring the total increase in continental mill consumption of raw cotton during 1932-33, as compared with 1931-32, up to the 450,000 bales arrived at previously on the basis of other data.

The outlook for American cotton.- The general conclusions stated in the introductory part of this report as to the outlook for continental mill consumption of all raw cotton in 1933-34 apply on the whole to American cotton as well. However, the present indications are that supplies of foreign cotton will be considerably larger in 1933-34 than in 1932-33 while the supply of American cotton is smaller, which will probably tend to increase somewhat through price-relationships, the share of non-American cotton consumed on the Continent. Table 1 shows the quantities consumed on the Continent in the past 10 seasons, by growths. The increase in the American share during the past season is

Table 1.- Continental mill consumption of raw cotton, according to growths, 1923-24 to 1932-33 1/

Season	American	Indian	Egyptian	Sundries	Total	American as percentage of total
	1,000 bales of approx. 478 lbs. 2/	1,000 bales of approx. 478 lbs. 2/	1,000 bales of approx. 478 lbs. 2/	1,000 bales of approx. 478 lbs. 2/	1,000 bales of approx. 478 lbs. 2/	Percent
1923-24...	2,817	1,003	481	125	4,426	64
1924-25...	3,730	894	459	116	5,199	72
1925-26...	3,952	858	425	135	5,370	74
1926-27...	4,437	692	485	162	5,776	77
1927-28...	4,680	778	478	185	6,121	76
1928-29...	4,239	924	506	176	5,845	73
1929-30...	3,772	1,010	537	276	5,595	67
1930-31...	3,190	881	532	279	4,882	65
1931-32...	3,343	538	600	245	4,726	71
1932-33...	3,803	445	606	210	5,064	75

1/ Sixteen continental countries including Germany, France, Italy, Czechoslovakia, Belgium, Spain, Poland, Switzerland, Holland, Austria, Sweden, Portugal, Finland, Hungary, Denmark, Norway, - Hungary partly estimated.
2/ Figures of "International Federation" in bales, regardless of weight, converted in 478 pounds net bales on basis of the following coefficients: 1"Indian"bale =.8 American; 1"Egyptian" bale = 1.48 American; 1 "Sundries" = .72 American.

especially noteworthy because price-relationships suggested a decline rather than an increase. (See table 3). Consumption of American in 1932-33 represented the largest proportion of the total since 1927-28.

Table 2.- Continental mill consumption of raw cotton, 1927-28 to 1932-33

Country	1927-28	1928-29	1929-30	1930-31	1931-32	1932-33
	1,000 bales of approx. 478 lbs.	1,000 bales of approx. 478 lbs.	1,000 bales of approx. 478 lbs.	1,000 bales of approx. 478 lbs.	1,000 bales of approx. 478 lbs.	1,000 bales of approx. 478 lbs.
Germany	1,564	1,353	1,292	1,057	1,184	1/1,217
France	1,169	1,212	1,155	1,103	894	1,103
Italy	935	1,017	967	759	786	867
Czechoslovakia	542	487	444	386	343	288
Belgium	380	405	402	314	270	274
Spain	406	397	400	386	412	403
Poland	358	254	222	219	197	261
Switzerland	137	122	118	106	101	97
Holland	175	182	194	186	147	149
Austria	160	143	111	93	102	81
Sweden)						
Portugal)						
Finland)	295	273	290	273	290	324
Denmark)						
Norway)						
Hungary)						
Total	6,121	5,845	5,595	4,882	4,726	1/5,064

1/ Because of an underestimation of the German figure, which we think should be at least 1,310, the total for the Continent is likely to have approached 5,200.

Table 3.- Continental mill consumption of Indian and Egyptian cotton in relation to American, 1925-26 to 1932-33

Season	Consumption of American	Consumption of Indian	Consumption of Egyptian	Indian in percent of American	Egyptian uppers in percent of American	Average price Nov.-Mar. of Indian in percent of American 1/	Average price Nov.-Mar. of Egyptian uppers in percent of American 2/
	1,000 bales of 478 lbs.net	1,000 bales of 478 lbs.net	1,000 bales of 478 lbs.net	Percent	Percent	Percent	Percent
1925-26	3,952	858	425	22	11	81	118
1926-27	4,437	692	485	16	11	99	119
1927-28	4,680	778	478	17	10	85	117
1928-29	4,239	924	506	22	12	77	103
1929-30	3,772	1,010	537	27	14	72	100
1930-31	3,190	881	532	28	17	78	98
1931-32	3,343	538	600	16	18	99	97
1932-33	3,803	445	606	12	16	91	108

1/ Average quotations for American Seed, Broach, Oomra and Scindh.
2/ Egyptian Uppers.

On the other hand, if a set-back in continental mill activity occurs, American cotton would in all probability be even more affected than other growths.

Germany

The recession in the German cotton textile industry which was halted in 1932 when the first signs of a revival became evident gave way in the first three quarters of 1933 to very definite improvement. Spinning and weaving mill activity rose markedly and, in June and July, reached even the prosperity levels of 1927. Raw cotton imports increased greatly, and general wholesale business during most of the first three quarters of 1933, in raw cotton, cotton yarn and cotton fabrics, was very active. An important stimulant was the upward tendency of raw cotton prices in the first half of the year, and confidence in the stability of the new political order also undoubtedly influenced the attitude of industry and trade.

However, this upward movement of mill and trade activity far exceeded anything justified by developments in actual consumer buying, and the unstable character of the mid-year levels of German cotton mill activity. In the first part of 1933-34 it has become increasingly clear that mid-year peak levels of mill activity and wholesale trade cannot be maintained for the rest of the year. 1933 retail sales of cotton textiles have been only slightly larger on an average than in 1932, and, while it is probable that they will continue to keep pace with the present slightly upward tendency in general economic conditions in Germany, it is not likely that, during 1933-34, they will rise enough to support a mill consumption of the volume observed in recent months.

As a result of the fact that 1933 retail sales have lagged seriously behind mill output and wholesale buying, a very considerable increase in cotton goods stocks has taken place between the first of the year and the end of the third quarter.

The outlook for the German cotton industry in 1933-34 is, therefore, somewhat impaired by the rather broad and extensive anticipation in the first half of 1933 of developments in ultimate consumer buying. It will require a development in general economic conditions better than seems likely in the recent few months to occur in order that the level of raw cotton imports and mill consumption experienced in 1932-33 may be maintained for 1933-34. If general consolidation of economic conditions takes place in the world at large, the calendar year 1934 may even exceed 1933 in respect to the use of raw cotton by German textile mills, but if it does not occur, there can be little doubt that the present technical position will result in a downward readjustment.

German net imports of raw cotton in the first 7 months of 1933 amounted to the equivalent of 995,000 bales of 478 pounds, as compared with only 826,000 bales in the same period of 1932, and only 669,000 bales in 1931.

The development of German mill consumption of raw cotton as reported by the International Federation of Master Cotton Spinners' and Manufacturers' Associations, Manchester, and converted into 478 pound bales, is shown in the following table:

Table 4.-Mill consumption of cotton in Germany, 1920-21 to 1932-33

Year ended July 31	Total	American	American in percentage of total
	1,000 bales of approximately 478 lbs. net	1,000 bales of approximately 478 lbs. net	Percent
1920-21	860	644	75
1921-22	1,162	911	78
1922-23	1,030	784	76
1923-24	946	696	74
1924-25	1,189	916	77
1925-26	1,125	884	79
1926-27	1,468	1,214	83
1927-28	1,564	1,276	82
1928-29	1,353	1,024	76
1929-30	1,292	923	71
1930-31	1,057	719	68
1931-32	1,184	863	73
1932-33	1,217	923	76

As previously stated the figures given by the German Cotton Spinners' Association through the Manchester Federation do not coincide with the figures for yarn production published by the German Institute for Economic Research. The latter figures indicate, for 1932-33, a raw cotton consumption roughly 15 percent above 1931-32, while the Manchester figures show a small increase of only 3 percent. Official import statistics tend to support the Institute figures.

Czechoslovakia

Raw cotton consumption in Czechoslovakia during 1932-33 was the lowest in the past 10 years amounting to only 58 percent of the peak mill consumption of 1926-27. The outlook for the current season and the calendar year 1934 is impaired by the widespread continuance of restrictions on international trade and there seems to be little hope for an early improvement in export possibilities. Since Czechoslovakia's cotton industry is heavily dependent upon foreign outlets, there is no reason to expect a return to prosperity levels in cotton goods production, until sales to foreign countries experience a marked up-swing. Despite the encouraging developments in the cotton industries of Germany, France, and partly, Italy (which operate largely for domestic markets) during the first three quarters of 1933, the Czechoslovakian branch remained in deep depression and showed only occasional slight seasonal tendencies toward improvement.

Net imports of raw cotton into Czechoslovakia during the 7 months January-July 1933, amounted to the equivalent of only 178,000 bales of 478 pounds, as compared with net imports of 102,000 in the same period of 1932, and 243,000 bales in January-July 1931; in the same period of 1927 they were 378,000 bales or more than twice as high as in 1933. Cotton yarn exports in January-July 1933, amounted to 15,520,000 pounds, as compared with 15,736,000

in the same period of 1932. Exports of fabrics during January-July 1933, on the other hand, were only 9,744,000 pounds, as against 13,448,000 pounds last year, and as much as 59,679,000 pounds in January-July of the record year 1927. These comparisons clearly reveal the terrific set-back Czechoslovakia has experienced on the export market which is of extraordinary importance as a sales outlet for the Czechoslovakian cotton industry.

Czechoslovakian mill consumption of raw cotton in 1932-33, as reported by the Manchester Federation, expressed in terms of 478 pound bales, has been as follows:

Table 5.-Mill consumption of raw cotton in Czechoslovakia, 1920-21 to 1932-33

Year ended July 31	Total	American	American cotton in percentage of total
	1,000 bales of approximately 478 lbs. net	1,000 bales of approximately 478 lbs. net	Percent
1920-21	254	208	82
1921-22	366	309	84
1922-23	244	178	73
1923-24	399	267	67
1924-25	467	342	73
1925-26	466	353	76
1926-27	500	408	82
1927-28	542	434	80
1928-29	487	377	77
1929-30	444	321	72
1930-31	388	273	70
1931-32	343	266	78
1932-33	288	234	81

Austria

The cotton industry in Austria as in Czechoslovakia has not profited in 1932-33 from the favorable developments evident elsewhere on the Continent. On the contrary, mill consumption of raw cotton was further reduced, amounting to only 50 percent of the consumption in the record year 1927-28, and falling lower than in any of the past 12 years. It should be noted, however, that Austria's spindle capacity has been materially reduced since the period of prosperity through transfer into adjoining countries, so that not all of the decline shown in mill consumption represents idle mill machinery.

In recent weeks there have been slightly more favorable reports on sales and occupation in the Austrian cotton industry, but even this seasonal improvement appears to have been quite limited, and the outlook for 1932-33 and the calendar year 1934 is not good. The serious economic difficulties still confronting the country seem unlikely to be relieved without a return of more normal international economic relations, and a real improvement in the cotton branch is dependent upon the return of better times, disregarding such slight improvements as may develop from time to time.

Austrian net imports of raw cotton during January-July 1933 were 54,995 bales of 478 pounds as against 64,376 imported in the same period of 1932, and 80,643 bales in 1929. Mill consumption of raw cotton since the War has been as follows:

Table 6.-Mill consumption of raw cotton in Austria, 1920-21 to 1932-33

Year ended July 31	Total	American	American in percentage of total
	1,000 bales of approximately 478 lbs. net	1,000 bales of approximately 478 lbs. net	Percent
1920-21	85	54	64
1921-22	109	86	79
1922-23	98	61	62
1923-24	117	65	56
1924-25	128	85	66
1925-26	151	104	69
1926-27	144	113	78
1927-28	160	122	76
1928-29	143	103	72
1929-30	111	74	67
1930-31	93	63	68
1931-32	102	77	75
1932-33	81	61	75

France

Gradual recovery in the French cotton textile situation during 1932 has been followed by continued favorable development in 1933, when both spinning and weaving mill activity as well as unfilled orders on hand rose to what may be called a very satisfactory level. At present there is nothing to indicate that the year 1934 will fall behind 1933, so the outlook is for a year of relatively favorable occupation in the French cotton industry.

Symptomatic of the improvement in France is the fact that unfilled orders in the weaving branch, a good index of future raw cotton requirements, have materially increased in 1933, and mill consumption of raw cotton by French spinners in 1932-33 was more than 23 percent above the record low of 1931-32 and on a par with 1930-31. The present favorable situation is rather well protected by moderate levels of stocks and the important volume of unfilled orders held by spinners and weavers. Nevertheless France will also require some improvement in the general economic situation if the present level of raw cotton consumption is to be permanently maintained.

French imports of raw cotton during the first half of 1933 amounted to 777,600 bales of 478 pounds as compared with only 498,000 tons imported in the first half of 1932. First half of 1931 imports were 787,000 and the record imports of the first half of 1929 amounted to 889,000 bales of 478 pounds. French mill consumption of raw cotton since the war is shown in the following table:

Table 7.-Mill consumption of raw cotton in France, 1920-21 to 1932-33

Year ended July 31	Total	American	American in percentage of total
	1,000 bales of approximately 478 pounds net	1,000 bales of approximately 478 pounds net	Percent
1920-21	722	583	81
1921-22	1,035	799	77
1922-23	1,154	790	68
1923-24	1,056	700	66
1924-25	1,127	806	72
1925-26	1,176	835	71
1926-27	1,170	825	71
1927-28	1,169	829	71
1928-29	1,212	824	68
1929-30	1,155	728	63
1930-31	1,103	710	64
1931-32	894	571	64
1932-33	1,103	766	69

Belgium

Much as in 1932, the situation in the Belgian cotton industry has continued depressed in the first three quarters of 1933, occupation of the industry in the season 1932-33 barely averaging above 1931-32 levels. The middle of 1933 brought some seasonal improvement in mill sales and mill activity, and it is expected that the end of 1933 and the year 1934 will see some further moderate recovery.

Net imports of raw cotton into Belgium from January to July 1933, amounted to 233,000 bales as compared with only 140,000 in the same period of 1932.

Mill consumption of raw cotton by Belgian spinning mills since the war was as follows:

Table 8.- Mill consumption of raw cotton in Belgium, 1920-21 to 1932-33

Year ended July 31	Total	American	American in percentage of total
	1,000 bales of approximately 478 pounds net	1,000 bales of approximately 478 pounds net	Percent
1920-21	192	113	59
1921-22	234	136	58
1922-23	245	129	53
1923-24	265	121	46
1924-25	274	149	54
1925-26	319	177	55
1926-27	333	207	62
1927-28	380	215	57
1928-29	405	219	54
1929-30	402	180	45
1930-31	314	136	43
1931-32	270	145	54
1932-33	274	163	59

Italy

A gradual rise in cotton spinning and weaving mill activity in Italy has occurred so far in 1933, interrupted by temporary set-backs in new business for yarn and cloth. Following this relatively good improvement in the cotton textile situation during the season 1932-33, the present outlook is for some further recovery during the remainder of 1933 and the calendar year 1934, provided that the latent tendencies toward world economic recovery are not hampered or interrupted by political developments. Net imports of raw cotton into Italy in January - June 1933, amounted to 475,500 bales as compared with 508,000 imported in the first half of 1932. On the other hand, mill consumption from 1931-32 to 1932-33 showed a significant increase, as is shown in the following table on mill consumption of raw cotton in Italy since the war.

Table 9.- Mill consumption of raw cotton in Italy, 1920-21 to 1932-33

Year ended July 31	Total	American	American in percentage of total
	1,000 bales of approximately 478 pounds net	1,000 bales of approximately 478 pounds net	Percent
1920-21	763	562	74
1921-22	769	573	75
1922-23	865	601	69
1923-24	906	547	60
1924-25	963	639	66
1925-26	1,004	712	71
1926-27	913	680	74
1927-28	935	707	76
1928-29	1,017	745	73
1929-30	967	664	69
1930-31	712	475	67
1931-32	786	559	71
1932-33	867	677	78

Poland

The agricultural crisis in Poland has continued to be a handicap in 1933 to the sales of the cotton textile industry, but nevertheless, considerable increase occurred in the output of the mills in 1932-33, notwithstanding the fact that it led to an accumulation of cotton goods stocks during the course of the year.

In Poland, as in other central European countries, the buying capacity of the ultimate consumer is now very low and the enhanced production of cotton goods involves certain dangers of recession. The outlook for 1934, therefore, is somewhat uncertain, and it will require a substantial improvement in general economic conditions, particularly in agriculture and in export possibilities, to sustain permanently the level of production in the cotton industry which has been maintained so far in 1933.

Polish mill consumption of raw cotton since the war has developed as follows:

Table 10.- Mill consumption of raw cotton in Poland, 1920-21 to 1932-33

Year ended July 31	Total	American	American in percentage of total
	1,000 bales of approximately 478 pounds net	1,000 bales of approximately 478 pounds net	Percent
1920-21	129	97	75
1921-22	210	170	81
1922-23	219	167	76
1923-24	173	129	75
1924-25	203	164	81
1925-26	186	158	85
1926-27	317	271	85
1927-28	358	318	89
1928-29	254	210	83
1929-30	222	184	83
1930-31	219	176	80
1931-32	197	166	84
1932-33	261	228	87

It should be noted that spindle capacity in Poland has increased greatly in recent years. The number of spinning spindles in place in Poland fluctuated around 1,550,000 in the years 1928 to 1931, but rose to 1,706,000 on July 31, 1932, and to 1,818,000 on July 31, 1933.

The Soviet cotton textile industry

The 1933 Russian cotton textile plan provided for a total production of 3,007,000,000 yards of finished fabrics as compared with the planned output of 3,347,500,000 yards for 1932, and the actual 1932 production of approximately 2,624,000,000 yards. On the basis of present information on developments in the industry, full execution of the 1933 plan does not seem probable. Furthermore, unless the Government should import raw cotton from abroad, the plan for 1934 production will probably not differ greatly from that for 1933, i.e., 3,007,400,000 yards.

In attaining independence of foreign cotton supplies Russia has accomplished much in the way of expanding production, but at the same time she appears to have reached a point beyond which further expansion is difficult at this time, and no material exports of Russian cotton are to be expected during the next few years. Russia's independence of foreign sources, however, seems to be assured for 1933-34, assuming that no effort is to be made to increase materially the output of cotton manufactures.

If such an increase should be undertaken, it would doubtless be necessary to increase cotton imports, especially of American cotton 1/, in view of the fact that the 1933 domestic crop is not likely to exceed that of 1932.

Official estimates of the 1933 Russian crop are still lacking, but in view of the reported 5.5 percent reduction in acreage a crop about equal that of last year or possibly somewhat below should be reckoned with. Such an estimate assumes, of course, the recurrence of the low yields which have been characteristic of the past 2 or 3 years. As these low yields are attributable to deficient cultivation and irrigation incident to labor shortage and inefficiency, as well as to the bringing under cultivation of considerable new land in the so-called "new cotton regions" 2/ and the increase of cotton acreage in the old cotton regions at the expense of rotation crops, there is little ground for assuming improved yields this year.

Preliminary estimates of the 1933 cotton acreage are for 4,848,000 acres compared with the revised acreage of 5,139,000 acres in 1932. This revision, which had been expected, brings the estimated acreage of cotton in 1932 down from the 5,367,000 acres reported in April 1933 and the 5,787,000 acres originally reported in July 1932. The downward revision of the 1932 acreage was accompanied by a downward revision of production, which is now placed at 1,778,000 bales of 478 pounds.

Japan 3/

Cotton consumption by mills in Japan, as measured by yarn production, reached a new high level in September when yarn production reached 261,000 bales compared with the previous high of 258,000 bales which was in April. Apparently the Japanese industry has not greatly suffered from the higher Indian tariff which became effective in June. Although Japan's exports of cotton cloth declined in June and July in August, they increased to 191,000,000 square yards from 165,000,000 in July and were the highest with the exception of May for any month since December, 1932. Part of the increase in September is said to have been due to shipments to new markets, principally Africa, Latin America, and Near East.

1/ With respect to the reported purchases of American cotton by the Soviet Government in July 1933 and the negotiations for further purchases recently reported by the press, it should be noted that some observers view Russia's buying of American cotton in July this year as not intended to cover a deficit, but rather to be offset by sales of domestic cotton to the Continent and England. Russian cotton exports during the first half of 1933 were only slightly below imports. The fact that such Russian purchases are made on long-term credit, whereas sales are on a cash basis, may well influence Russia's conclusion of such transactions.
2/ Yields began to decline sharply in the year when expansion took place in the cotton acreage of the "new regions". The share of these regions increased from 8 percent in 1930 to 18.8 percent in 1931 and 19.6 in 1932.
3/ Based largely on a radiogram from Shanghai on October 6 transmitting a report from Vice Consul McConaughy at Kobe.

The high rate of yarn production in September was probably due in part to the heavy demand for twenty count and coarse yarn because of the heavy production of unfinished piece goods and efforts of the weavers to accumulate stocks of the coarser yarns before Indian cotton disappears from the market. Production of twenty count yarns increased from 65,500 bales in August to 81,900 bales in September, an increase of 25 percent.

According to Vice Consul McConaughy, the belief is quite prevalent among cotton consumers in Japan that some of Japan's requirements can be produced in Manchuria within the next 10 years, but close observers of conditions in Manchuria are skeptical. Experiments are said to be in progress in Persia and Peru in hopes of establishing sources of supply in exchange for piece goods. No raw cotton had been received from these countries up to the beginning of October, but in October a small experimental shipment of Brazilian cotton was expected to arrive. All of these efforts to obtain new sources of raw material are said to be due in part to the belief that the conferences at Simla and London pertaining to tariff concessions by India and consequent lifting of the boycott by Japan will be productive of no immediate, substantial results.

China 1/

The cotton textile situation in China improved somewhat from mid-September to mid-October. Yarn prices advanced materially with improved demand from some southern and western provinces resulting in more profit for the spinners. As a result mill activity has increased considerably. In the first part of September the Chinese owned mills were estimated to have been operating at 60 percent of capacity and the Japanese owned mills at 75 percent of capacity. During the first part of October the Chinese section was said to have been operating at 85 percent of capacity and the Japanese section at about 75 percent with activity still increasing.

There was some strengthening of cotton prices in China toward the end of September which was attributed to the advance in prices of American and to unfavorable weather in the cotton producing regions of China. This advance in prices of raw cotton was no doubt a factor in the advance in yarn prices in addition to the improved demand for yarn.

Production, Acreage and Crop Conditions

United States

The domestic crop made unusual progress in September so that conditions on October 1 indicated a yield per acre of 205.3 pounds which on the estimated area for harvest is expected to give a crop of 12,885,000 bales of 478 pounds net or 500 pounds gross. This represents an increase of 471,000 bales or 3.8 percent over the September forecast. The indicated crop is only 117,000 bales less than the crop produced in 1932 and 1,781,000 bales or 12 percent below the 1928-1932 average of 14,666,000 bales.

Most of the increase from September to October took place in Texas where the estimated production showed an increase of 375,000 bales. Some

1/ Based largely upon a radiogram from Agricultural Commissioner Dawson at Shanghai, dated October 16.

increase took place, however, in all major producing states except Mississippi and Louisiana.

India

Plantings of Indian cotton up to October 1 was estimated by the Department of Statistics of the Indian Government at 19,641,000 acres compared with 18,415,000 acres planted to the same date last year, which represents an increase of 6.7 percent. In 1931 the area planted to October 1 was estimated at 19,654,000 acres.

In October the Bombay cotton trade estimated that the 1933-34 Indian cotton crop would be about 14 percent larger than in the 1932-33 season. This applied to the latest official estimate of the Indian Government of 3,779,000 bales of 478 pounds for the 1932-33 crop would give an increase of slightly more than 500,000 bales or a crop of approximately 4,300,000 bales. The 1931-32 crop amounted to 3,368,000 bales and the average production for the 5 years prior to the short crops of 1931-32 and 1932-33 was 4,539,000 bales.

Soviet Russia

Although the 1932 cotton crop in Russia turned out to be smaller than previously expected, Soviet Russia in the season 1932-33 for the first time in history, exported more cotton than she imported, the net exports mounting to the equivalent of 25,200 bales of 478 pounds, compared with net imports of 186,954 bales in 1931-32.

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CONTENTS

		PAGE
1.	Summary	1 - 2
2.	Prices	2 - 3
3.	Stocks and Movement	3 - 4
4.	Textile Situation	4
5.	The Outlook for the Continental Cotton Industry in 1933-34	5 - 18
6.	Production, Acreage and Crop Conditions	18 - 19

TABLES

1.	Continental mill consumption of raw cotton, according to growths, 1923-24 to 1932-33	7
2.	Continental mill consumption of raw cotton, 1927-28 to 1932-33	8
3.	Continental mill consumption of Indian and Egyptian cotton in relation to American, 1925-26 to 1932-33	8
4.	Mill consumption of cotton in Germany, 1920-21 to 1932-33	10
5.	Mill consumption of raw cotton in Czechoslovakia, 1920-21 to 1932-33	11
6.	Mill consumption of raw cotton in Austria, 1920-21 to 1932-33	12
7.	Mill consumption of raw cotton in France, 1920-21 to 1932-33	13
8.	Mill consumption of raw cotton in Belgium, 1920-21 to 1932-33	14
9.	Mill consumption of raw cotton in Italy, 1920-21 to 1932-33	15
10.	Mill consumption of raw cotton in Poland, 1920-21 to 1932-33	16

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